PAHS Economics / Credit Cards

NAME\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ PERIOD\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DIRECTIONS: BASED ON THE RESOURCES PRESENTED COMPLETE THE FOLLOWING:

**Credit Vs. Good Credit**

* **Credit** – A legal agreement to receive cash, goods, or services \_\_**now**\_\_ and pay for them in the \_**future**\_.
* **Good Credit** – Good credit means you have the \_\_**ability**\_\_ to borrow funds to buy things you would otherwise have to save for.

**Using Consumer Credit Wisely**

* Consumer Credit is a major force in the American economy
  + Consumer credit – use of credit for personal needs

**Using Consumer Credit Wisely**

* **Creditor** – an entity that \_\_**lends**\_\_ money

**Using Consumer Credit Wisely**

* Using credit \_\_\_\_**increases**\_\_\_\_\_ the amount of money you can spend now, but the cost of credit \_\_\_**decreases**\_\_\_ the amount of money you will have in the future.

**Types of Credit**

* \_\_**closed**\_\_-end credit – Credit as a one-time loan that is paid back over a specified period of time in payments of equal amounts.
* \_\_**Open**\_\_-end credit – Credit as a loan with a certain limit on the amount of money that can be borrowed for a variety of goods and services

**Types of Closed-End Credit**

* Installment Loans
* Student Loans

**Installment Loan**

A loan in which the amount of \_**payment**\_\_ and the \_\_**number**\_\_ of payments are predetermined, such as an automobile loan or a personal Loan.

* \_**Fixed**\_ payment
* Set period of time
* Set or varying interest rates
* Examples: \_\_**Car loans and home loan (mortgages)\_\_**

**Student Loans**

* Loans offered to students to assist in payment of the costs of professional \_**education**\_. These loans usually charger lower interest than other loans, and are also usually issued by the \_\_**government**\_\_.
* Allows a person to finance their education and \_**defer**\_ payments until after graduation.

**Types of Open-End Credit**

* Credit Cards
* Revolving Credit

**Credit Cards**

Plastic cards with electronic information that can be used by the holder to make purchases or obtain cash advances using a \_\_**line of credit**\_\_ made available by the card-issuing financial institution.

**Revolving Credit**

A type of credit that does NOT have a fixed number of payments, such as a credit card or overdraft protection line of credit.

* No stated \_\_**payoff**\_\_ time
* Limit to credit-line
* Minimum \_\_**monthly**\_\_ payments
* \_\_**Finance charges**\_\_
* Example: \_\_**credit card**\_\_

Factors to Consider Before Using Credit

